

## Message Text

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ACTION OPIC-06

INFO OCT-01 ARA-14 ISO-00 EB-08 SSO-00 /029 W

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O 301853Z DEC 77

FM AMEMBASSY MANAGUA

TO SECSTATE WASHDC IMMEDIATE 5259

UNCLAS MANAGUA 5884

E.O. 11652: NA

TAGS: EINV, NU

SUBJECT: REQUEST FOR OPIC CONSTRUCTION INSURANCE - E.C. ERNST

INTERNATIONAL CORPORATION -- 524-78-063

FOR OPIC

REF: (A) STATE 309335, (B) OPIC MEMORANDUM O 12/14/77

1. OPIC MEMORANDUM (REF B) RECEIVED IN MANAGUA ON DECEMBER 22ND. MR. RAUL ARANA CASTELLON, PRESIDENT OF HOTELES DE NICARAGUA, S.A., IS OUT OF THE COUNTRY. COMMERCIAL OFFICER CONTACTED MR. ROGER J. MONTEALEGRE LOPEZ, ADMINISTRATIVE DIRECTOR AND PUBLIC RELATIONS OFFICER FOR THE CORPORATION. MONTEALEGRE IS NOT AS INTIMATELY INVOLVED WITH THE PROJECT AS ARANA AND, THEREFORE, MUCH OF THE FOLLOWING INFORMATION IS FROM PUBLIC SOURCES.

2. MONTEALEGRE INDICATED THAT E.E. ERNST INTERNATIONAL IS TO CONSTRUCT A HOTEL NAMED "EL RECREO" FOR HOTELES DE NICARAGUA, S.A., A CORPORATION FORMED TO IMPLEMENT THE PROJECT. CONSTRUCTION WILL INCLUDE A 162-ROOM HOTEL, A CASINO, TWO TENNIS COURTS, A MINI-GOLF COURSE, A CONFERENCE CENTER WITH A CAPACITY FOR 600 PERSONS, A SWIMMING POOL, A DISCOTHEQUE, AND A SAUNA. HOTEL IS TO BE LOCATED ON A HILL IN MANAGUA WHICH HAS A BEAUTIFUL VIEW OF THE SURROUNDING AREA. THE LOCATION OF THE PROPOSED CONSTRUCTION HAS BEEN PLANNED AND ACTUAL CONSTRUCTION IS SCHEDULED TO BEGIN NEXT MONTH AND TO BE COMPLETED IN DECEMBER, 1978. MONTEALEGRE INDICATED THAT ERNST IS

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BRINGING SOME OF ITS OWN EQUIPMENT FOR THE PROJECT AND WILL RENT OTHER EQUIPMENT LOCALLY.

3. IN RELATION TO THE OWNERSHIP OF HOTELES DE NICARAGUA, MONTEALEGRE WAS UNSURE OF THE PRECENTAGES HELD BY VARIOUS STOCKHOLDERS, BUT INDICATED THAT ALL MEMBERS OF THE BOARD OF DIRECTORS OF THE CORPORATION ARE FINANCIALLY INVOLVED IN THE PROJECT. HOWEEVER, IT IS BELIEVED

THAT ARANA CASTELLON AND MEMBERS OF HIS FAMILY HOLD A MAJORITY OF THE STOCK. MEMBERS OF THE BOARD OF DIRECTORS, IN ADDITION TO ARANA CASTELLON, ARE THE FOLLOWING: LUIS A. SOMOZA URCUOYA (NEPHEW OF GENERAL ANASTASION SOMOZA DEBAYLE, PRESIDENT OF NICARAGUA), ROGER J. MONTEALEGRE LOPEZ, GUILLERMO TERAN B., ABELARDO SANCHEZ MAYORGA, SALVADOR DELGADILLO FERRARI, AND FELIPE PALACIOS. MONTEALEGRE INDICATED THAT THE CORPORATION IS A PRIVATE ENTITY.

4. RAUL ARANA CASTELLON IS FROM A WELL-CONNECTED, WEALTHY NICARAGUAN FAMILY. HIS FATHER, RAUL ARANA MONTALVAN, IS A MEMBER OF THE NICARAGUAN SENATE. ARANA CASTELLON IS PRESENTLY SERVING AS PRESIDENT OF THE HOTEL OWNERS ASSOCIATION OF NICARAGUA. HE IS THE OWNER OF RAUL ARANA CASTELLON & COMPANIA, LIMITADA, A MEDIUM SIZE CONSTRUCTION COMPANY WHICH SPECIALIZES IN HIGHWAY AND STREET CONSTRUCTION PROJECTS IN NICARAGUA AS WELL AS OTHER CENTRAL AMERICAN COUNTRIES. IN 1972, THE FIRM FORMED A CONSORTIUM WITH AMELCO WESTER, INC. OF SAN FRANCISCO, CALIFORNIA, FOR THE UNDERTAKING OF LARGE PROJECTS IN THE NICARAGUA. EMBASSY UNDERSTANDS, HOWEVER, THAT THIS ASSOCIATION WAS NOT SATISFACTORY TO THE U.S. FIRM AND THE ASSOCIATION WAS, INDEED, SUBSEQUENTLY TERMINATED. COMMENTS FROM LOCAL SOURCES ON THIS POSSIBLE DISPUTE ARE NOT AVAILABLE. THE FIRM ENJOYS A GOOD REPUTATION IN LOCAL FINANCIAL AND BUSINESS CIRCLES.

5. AVAILABLE FINANCIAL INFORMATION ON THE EL RECREO PROJECT IS AS FOLLOWS: (FIGURES ARE APPROXIMATE)

TOTAL AMOUNT OF THE INVESTMENT - \$U.S. \$4,000,000.

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PAID-IN CAPITAL - 1,700,000.

FINANCING:

BANCO CENTROAMERICANO DE INTEGRACION ECONOMICA 2,500,000.

(3 YEAR GRACE PERIOD, 12 YEAR PAYBACK PERIOD)

I.C.S. SIVERSIFIED, INC. CORAL GABLES, FLORIDA 350,000.

(5 YEAR PAYBACK PERIOD)

INTERNATIONAL DE GARANTIAS, S.A. 200,000.

(3 YEAR PAYBACK PERIOD)

MONTEALEGRE INDICATED THAT LAST FIRM LISTED IS A NICARAGUAN INVESTMENT FIRM WHICH COMMENCED OPERATIONS APPROXIMATELY THREE YEARS AGO.

6. DEVELOPMENT OF A TOURISM INDUSTRY IN NICARAGUA IS ONE OF THE GOALS OF THE GOVERNMENT OF NICARAGUA. THERE ARE VARIOUS FISCAL INCENTIVES AWARDED TO CORPORATIONS ACTIVE IN THE TOURISM SECTOR. HOTELES DE NICARAGUA IS ELIGIBLE FOR THESE INCENTIVES AND IS TAKING ADVANTAGE OF THEM. THERE ARE PRESENTLY ONLY TWO FIRST CLASS HOTELS IN NICARAGUA, BOTH OF WHICH ARE LOCATED IN MANAGUA. THE INCREASED AVAILABILITY OF FIRST CLASS ACCOMMODATIONS IS CONSIDERED A NECESSARY PART OF THE SCENARIO FOR INCREASING TOURISM TO NICARAGUA.

7. IN VIEW OF MR. ARANA'S REPUTATION AND THE OTHER FACTORS DIS-

CUSSED ABOVE, EMBASSY HAS NO OBJECTION TO GRANTING OF POLITICAL  
RIST CONSTRUCTION INSTURANCE FOR E.C. C. ERNST INTERNATIONAL IN  
CONNECTION WITH THE EL RECREO PROJECT.  
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## Message Attributes

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